SELLING TO THE CFO

FutureSight

B2B Sales & Marketing Insights

INTRODUCTION

To make a technology sale in these times of shrinking IT budgets and increased competition for available funds, technology vendors need to communicate a value proposition that rises to the top of projects from which a CFO will select. What constitutes a true value proposition that sells in these trying times? A true value proposition is quantifiable, with hard, tangible, grounded numbers framed within financial metrics CFOs quickly understand and use to make decisions. Of course, all CFOs are not the same, and targeted analysis and perspectives will need to be shown around particular CFOs' needs. But there are common decision models and questions that almost all CFOs use and these must be addressed before their attention is given to the more specialized and circumstantial issues. This paper sets out to capture the top-line needs of the CFO majority in terms of what they need to see in your value proposition to believe in your technology solution and embark on the project.

BACKGROUND

Sales of business technology can slow down like anything else. But some tech vendors do better than others in trying times, driven by how they approach customers with their value proposition and how they substantiate their claims with economic information. Now, more than ever, customers are seeking value justification before they open their purse strings, and the person holding the strings most frequently is the CFO. And what does the CFO need to see to believe in your technology solution? After the main business benefits have been well defined and understood, the CFO wants to see a true value proposition instead of the half-baked fuzzy propositions and value notions of days gone past. A shift towards enhanced financial accountability has occurred, and the technology vendors responding to this fact stand a greater chance of initiating and closing the deal. But just doing the numbers isn't enough. CFOs also need to be presented this information in a way that improves the chances of sales success.ook and you'll be way out ahead of your competition.

The Top 10 Things You Need To Know About CFOs

1. CFOs IT budgets are shrinking
2. CFOs fiscal accountability is very high…so they need to be approached from a fiscal angle
3. CFOs need a true value proposition to consider your technology solution
4. CFOs want to see a true value proposition that is quantifiable
5. CFOs desire professional presentations to gain their attention and to communicate internally
6. CFOs demand proof of value justification
7. CFOs desire practical information and tools to investigate and validate value claims
8. CFOs look for an unbiased, independent perspective before putting full trust in the value justification analysis
9. CFOs want to see critical financial metrics when evaluating capital expenditures…know these metrics well!
10. CFOs will invest in what they determine to be sound investments… help them make the right decision!

THE 4 P's TO APPROACHING THE CFO

When approaching the CFO, you will want to remember the 4 P's for developing and presenting your business case and true value proposition. Ensure your approach is Professional, Practical, grounded with Proof and independent in Perspective.

- ***Professional***

  A professional approach means presenting the CFO a top-level summary and detailed report with solid, quantified benefits and supporting analysis. Another element that often goes missing that can create incredible advantage is to offer the CFO a detailed financial model. Using this model, the CFO can easily understand the details and assumptions surrounding the analysis, and can test additional scenarios as required. Running these "what if" scenarios will also allow the CFO ask questions and obtain answers about how the solution fits his or her particular needs.

- ***Practical***

  The financial model presented to the CFO should be practical:
  a) Simple to understand, navigate and use,
  b) Time Sensitive in terms of the model inputs required and the use of relevant benchmark data,
  c) Flexible given certain insights, perspectives and risk analysis to be tested, and
  d) Complete in terms of the metrics the CFO needs to test for

- ***Proof***

  The analysis and numbers presented to the CFO should be backed up by demonstrable proof, evidence that the value being derived can be proven in a real-world context. This means necessary benchmark and case study data are woven into the analysis, offering concrete evidence around the claims of financial impact for the organization.

- ***Perspective***

  When people measure themselves, they tend to have artificially positive results. CFOs often prefer that an independent analyst conduct the analysis and derive the supporting realistic business case. This helps the CFO gain an impartial, more thorough view of the solution and its supporting benefits. Very often, CFOs have their own or contracted staff conduct the analysis to ensure impartiality and a more comprehensive, validated view. Tools and selling materials must be complete yet easy to understand and use.

THE CFO'S DESIRED FINANCIAL METRICS

Now that you have embarked on creating the compelling case for your technology solution, making sure your approach is grounded in professionalism, practicality, proof and perspective, you need to present the right financial metrics that the CFO needs to see to believe. The top-line metrics you need to present are Benefits, Return on Investment (ROI), Payback Period, Total Cost of Ownership (TCO) and Net Present Value (NPV).

- ***Benefits***

  Senior IT Management and CFOs need to show fiscal contribution now more than ever, and clearly articulating the fiscal benefits to be derived from a technology initiative are tantamount to having a project funded. There are different ways to frame these benefits, so let's begin with looking at hard (tangible) and soft (intangible and strategic benefits). Tangible benefits can be directly quantifiable, and undisputable in nature. They are the discreet cash flow producing benefits, showing either revenue enhancements or cost-reductions. These types of benefits are easily quantifiable, such as savings derived from lowering the amount of printer toner used or lowering the amount of storage required. Intangible benefits are often present, but more challenging to quantify such as improving customer satisfaction or improving employee satisfaction. Strategic benefits have strategic organizational impact, such as improving the quality of customer experience through more complete information resources.

  Benefit risk is very important to portray to CFOs, and they should be given the full spectrum of benefit possibility before making their decision. Vendors that can accurately portray the range of benefit possibility, including more liberal and conservative scenarios will gain more credibility while offering a more complete picture for decision making purposes.

- ***ROI***

  Return on Investment (ROI) is the cumulative net benefits (benefits minus direct costs of benefits such as applying a profit margin to total revenue influenced) derived from a technology initiative, divided by cumulative costs of the enabling technology investment and associated deployment and on-going costs. ROI is the number one way CFOs are making technology purchase decisions in these tight times. They are using this metric to control technology purchases and to make smarter tech-buying decisions. It allows them to quickly cut through the technology hype to determine the true economic worth to the firm.

- ***Payback Period (Breakeven)***

  The payback period is the point in time (sometimes referred to as breakeven point) where the organization recoups its costs outlaid for a particular technology solution. It's where the net benefits equal the costs associated with the technology initiative. The payback period is a good measure of risk, letting the investor know how long it is going to take to recoup an investment outlay.

- ***TCO***

  Total Cost of Ownership (TCO) is where most companies begin to scrutinize the costs of a potential technology solution. TCO seeks to measure all of the expenses, both human and technical, behind a given technology initiative. It includes all costs related to the technology lifecycle, including procurement, deployment, maintenance and support. A TCO analysis can be very good for budgeting purposes, or choosing between alternative courses for technology initiatives. It is not often wise to evaluate potential technology initiatives based on TCO alone. Key cost areas to be considered in the TCO analysis include software (including maintenance and upgrades), hardware and other infrastructure-related costs), personnel, consulting, training (admin and end users) and other areas particular to a given project.

- ***NPV***

  In its simplest form, Net Present Value (NPV) is the value today of cash received at a future date given a discount rate (cost of capital). CFOs want to see all of the future net cash flows associated with the technology initiative, discounted by an appropriate interest rate so they can determine present value of the future cash flows, and compare this with other potential investments.

- ***IRR***

  Many CFOs like to see the Internal Rate of Return (IRR), even though it is not often the best measurement of investment potential. IRR is the effective yield on the project; that is, the discount rate that causes the net present value to be equal to zero. Its disadvantage is that it might give an incorrect decision when deciding among mutually exclusive projects.

CONCLUSION

The CFO is experiencing increased pressure to ensure responsible fiscal management in these trying economic times. Savvy technology vendors will appreciate the CFO's situation, and offer the CFO a solid approach and grounded financial metrics when presenting their business case and closing the sale. Tech vendors need to ensure they follow the 4 Ps when designing their approach, making sure they are presenting benefit information professionally, with necessary proof, in a practical format derived from an independent, unbiased perspective. This approach, including the top-line financial metrics, will substantially increase the probability of sales success.

SELLING TO THE CFO:
What the CFO Needs to See to Believe

LET FUTURESIGHT HELP YOU SELL

FutureSight has the following range of services to help your organization prove your value proposition for potential customers:

ROI / TCO SCENARIO MODELLING / CALCULATOR TOOLS	Enable your sales reps to have an intelligent business conversation with economic buyers, and quantitatively address their cost justification needs along the sales cycle
ROI / TCO BENCHMARKING DATA RESEARCH	Discover the specific, tangible and intangible benefits your solution brings a customer organization, and validate this data with industry standard benchmarks
ROI /TCO CONTENT MARKETING	Communicate grounded business value benefits for your solution with white papers, contributed articles and on-line case studies
BUSINESS VALUE SEMINARS AND WEBINARS	Orient your firm and potential customers to the business value of your solution
BUSINESS VALUE SALES TRAINING	Train your sales reps and partner sales in the value of business value selling, and practical ways to engage your customers in value justification conversations.

For more information regarding value insight tools from FutureSight, please email **info@gofuturesight.com** or call us at **1-206-686-5800**.

NEXT STEPS

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ABOUT FUTURESIGHT INC

We launched FutureSight in 2000 in the heat of the dotcom bust because we saw the need for a more actively engaged form of business-to-business marketing – one that goes beyond offering detached insights to helping our clients boost revenues and the return on their sales and marketing investments. Our objective is to take our clients beyond insight…to impact that produces profitable growth.

As a group, FutureSight's management, practitioners and trainers draw on decades of real-world experience in starting, managing and growing successful marketing, sales and professional service practices for Fortune 500 companies. Today, we combine that real-world experience with our focus on ROI to bring B2B clients of all sizes new perspectives, actionable insights, sound strategies and winning executions that achieve maximum business impact for their market investments.